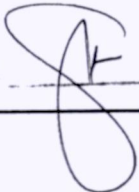


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SENATE

P.S. Res. No. 146

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Introduced by **SENATOR LEILA M. DE LIMA**

**RESOLUTION**  
**DIRECTING THE APPROPRIATE SENATE COMMITTEE TO**  
**CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE**  
**MEMORANDUM OF AGREEMENT BETWEEN THE ARMED FORCES**  
**OF THE PHILIPPINES AND DITO TELECOMMUNITY, GRANTING THE**  
**LATTER PERMIT TO INSTALL TELECOMMUNICATION FACILITIES**  
**AND EQUIPMENT INSIDE MILITARY CAMPS AND INSTALLATIONS,**  
**WHICH EXPOSES THE COUNTRY TO RISKS OF ESPIONAGE AND**  
**POTENTIALLY ENDANGERS OUR NATIONAL SECURITY**

1        WHEREAS, on 08 July 2019, the country's third major telecommunications  
2 player Mislattel Consortium announced that it has been renamed as Dito  
3 Telecommunity. The consortium consists of three (3) companies, namely: Udenna  
4 Corporation, Chelsea Logistics, and China Telecommunication Company (China  
5 Telecom). Both Udenna Corporation and Chelsea Logistics are Filipino corporations  
6 headed by Dennis Uy, who has reportedly close ties with President Rodrigo Duterte;<sup>1</sup>

7        WHEREAS, the transfer of Mislattel Consortium's ownership to Dito  
8 Telecommunity gives Udenna Corporation 35% control of the venture, and Chelsea  
9 Logistics Corporation 25% share. China-owned and operated China Telecom secures  
10 the remaining 40%<sup>2</sup>. While this set-up ostensibly respects the constitutional limit for  
11 foreign investment and capitalization, it appears, however, that China Telecom has

<sup>1</sup> Rivas, R. (03 January 2019) *Dennis Uy's growing empire (and debt)*. Retrieved from:  
<https://www.rappler.com/newsbreak/in-depth/219039-dennis-uy-growing-business-empire-debt-year-opener-2019> <last visited on 23 September 2019>

<sup>2</sup> De Guzman, L. (7 February 2019) *Senate allows transfer of Mislattel control to Udenna, China Telecom*. Retrieved from: <https://cnnphilippines.com/business/2019/02/06/senate-mislattel-udenna-china-telecom-chelsea-logistics.html> <last visited on 21 September 2019>

1 acquired a bigger share compared to the individual stakes of each of the Filipino  
2 corporations;

3 WHEREAS, there are adverse international media reports on the activities of  
4 China Telecom. Internet espionage accusations were raised against it in the United  
5 States of America and Canada, where it was claimed that China Telecom has been  
6 hijacking and diverting to China the internet traffic to and from some government  
7 websites that are owned and managed by the governments of USA and Canada,  
8 without the consent and against the interest of these North American countries;<sup>3</sup>

9 WHEREAS, several cause-oriented groups and cybersecurity experts cautioned  
10 about the involvement of Chinese firms, including China Telecom, in the Philippines'  
11 telecommunication industry <sup>4</sup> They pointed to the provision of Chapter 1, Article 7 of  
12 China's National Intelligence Law that mandates Chinese organizations and citizens  
13 to "support, assist, and cooperate with the state intelligence work in accordance with  
14 the law." The "insidious and pervasive power"<sup>5</sup> of this law has raised concerns globally,  
15 prompting several countries, such as the USA and Australia, to address the threats to  
16 their countries' sovereignty and national security by blocking various Chinese  
17 telecommunication technologies;

18 WHEREAS, in 2014, Chinese President Xi Jinping has signed a new Counter-  
19 Espionage Law, replacing their 1993 National Security Law<sup>6</sup> that alarmingly provides  
20 in its Article 22 that "when the state security organ investigates and understands the  
21 situation of espionage and collects relevant evidence, the relevant organizations and  
22 individuals shall provide it truthfully and may not refuse";

23 WHEREAS, Defense Secretary Delfin Lorenzana has recently expressed serious  
24 concern over the emergence of Chinese-owned and operated online gaming hubs that

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<sup>3</sup> Fife, Robert. (31 October 2018) *China Telecom diverted internet traffic in U.S. and Canada, report finds*. Retrieved from: <https://www.theglobeandmail.com/politics/article-china-telecom-hijacked-internet-traffic-in-us-and-canada-report/> <last visited on 21 September 2019>

<sup>4</sup> Agence France-Presse (25 February 2019) *China's telecom dominance a security challenge – UK's GCHQ*. Retrieved from: <https://www.rappler.com/technology/news/224353-china-telecom-dominance-security-challenge> <last visited on 21 September 2019>

<sup>5</sup> Girard, B. (23 February 2019) *The Real Danger of China's National Intelligence Law*. Retrieved from: <https://thediplomat.com/2019/02/the-real-danger-of-chinas-national-intelligence-law/> <last visited on 23 September 2019>

<sup>6</sup> Tatlow, D. (02 November 2014) *China approves Security Law emphasizing counterespionage*. Retrieved from: <https://www.nytimes.com/2014/11/03/world/asia/china-approves-security-law-emphasizing-counterespionage.html> <last visited on 23 September 2019>

1 are located near our military and police camps, prompting him to deduce that their  
2 growing number could make it very easy for them to “shift their activities to spying”;<sup>7</sup>

3 WHEREAS, amid these dire warnings, the Armed Forces of the Philippines  
4 (AFP) has signed a Memorandum of Agreement (MOA) with Dito Telecommunity that  
5 allows the latter to build facilities and install equipment in our military camps and  
6 installations;<sup>8</sup>

7 WHEREAS, the said MOA stipulates that China Telecom shall “build and  
8 deploy network infrastructure, manage technical requirements, develop business  
9 plans for roll-out, and evaluate and adjust telco performance” in the country.<sup>9</sup> Such  
10 role, experts say, may later prove to be detrimental to the Philippines’ national  
11 security,<sup>10</sup> as the agreement will give China Telecom not only the major control over  
12 our telecommunication data, but also dangerously, an unhampered access to our  
13 military camps where the infrastructure will be built;

14 WHEREAS, the fears that China may use those facilities to siphon information  
15 appear not unfounded. Electronic espionage and interference are very possible given  
16 that the Philippines and China are in the middle of a maritime dispute;<sup>11</sup>

17 WHEREAS, AFP Chief of Staff Benjamin Madrigal Jr. recognized the issue of  
18 our vulnerability to attacks and other possible national security implications of the  
19 MOA;<sup>12</sup>

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<sup>7</sup> CNN Philippines. (16 August 2019) *Defense chief fears POGOs may shift operations to spying*. Retrieved from: <https://cnnphilippines.com/news/2019/8/16/Delfin-Lorenzana-POGO-spying.html> <last visited on 23 September 2019>

<sup>8</sup> Gotinga, J (11 September 2019) *AFP, Mislattel sign deal to build facilities in military camps*. Retrieved from: <https://www.rappler.com/nation/239881-afp-mislattel-sign-deal-build-facilities-military-camps> <last visited on 21 September 2019>

<sup>9</sup> Zambrano, C. (17 September 2019) *Will Dito Telecommunity expose Philippines to unhampered espionage?* Retrieved from: <https://news.abs-cbn.com/spotlight/09/17/19/will-dito-telecommunity-expose-philippines-to-unhampered-espionage> <last visited on 21 September 2019>

<sup>10</sup> *Ibid.*

<sup>11</sup> Gotinga, J (13 September 2019) *'Absurd': Why build China-backed telco towers in military camps?* Retrieved from: <https://www.rappler.com/nation/239994-china-backed-telco-access-afp-camps-questioned> <last visited on 21 September 2019>

<sup>12</sup> *Supra* Note 17.

1       WHEREAS, as between the opportunity to raise the standard of  
2 telecommunication and the obligation to uphold our national security, the latter shall  
3 always reign paramount;

4       WHEREAS, the right of the people to information on matters of public concern,  
5 as enshrined in Article III, Section 7 of the Constitution, and the primordial interest of  
6 protecting national security and Philippine sovereignty demand that an investigation  
7 must be made to determine whether the arrangements with Dito Telecommunity pose  
8 real or imminent dangers to the vital interests of the country, especially our national  
9 security;

10       **NOW THEREFORE, BE IT RESOLVED AS IT IS HEREBY**  
11 **RESOLVED**, to direct the appropriate Senate Committee to conduct an inquiry, in  
12 aid of legislation, on the Memorandum of Agreement between the Armed Forces of the  
13 Philippines and Dito Telecommunity, granting the latter permit to build  
14 telecommunication facilities and install equipment inside military camps and  
15 installations which exposes the country to risks of espionage, and which may endanger  
16 our national security.

*Adopted,*

  
LILIA M. DE LIMA